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**2.0 DETAILS OF THE PUBLIC ISSUE**

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This Prospectus is dated 31 January 2004. A copy of this Prospectus has been registered by the SC. A copy of this Prospectus, together with the Application Form, has been lodged with the ROC and neither the SC nor the ROC takes any responsibility for its contents.

**Approvals have been obtained from the SC for the listing scheme of GA Blue vide its letters dated 9 May 2003, 14 August 2003 and 3 November 2003, details of which are disclosed in Section 4.3 of this Prospectus. The approval of the SC shall not be taken to indicate that the SC recommends the Public Issue. Investors are advised to make their independent assessment of GA Blue and should rely on their own evaluation to assess the merits and risks of investment in the Company.**

An application shall be made to the MSEB within three (3) market days from the date of this Prospectus for admission to the Official List of the Second Board of the MSEB and for permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up shares of the Company, including the Public Issue Shares, which are the subject of this Prospectus on the Second Board of the MSEB. These shares will be admitted to the Official List of the Second Board of the MSEB and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

**Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the MSEB has prescribed GA Blue shares as prescribed securities which are required to be deposited into the CDS. In consequence thereof, the GA Blue shares issued through this Prospectus will be deposited directly with MCD and any dealings in GA Blue shares will be carried out in accordance with the aforesaid Act and the Rules of the MCD.**

**Acceptance of the applications for the Public Issue Shares will be conditional upon permission being granted by the MSEB to deal in and quotation for the entire enlarged issued and fully paid-up share capital of the GA Blue on the Second Board of the MSEB within six (6) weeks from the date of this Prospectus or such longer period as may be specified by the SC, provided that the Company is notified by or on behalf of the MSEB within the aforesaid timeframe. Accordingly, monies paid in respect of any application accepted from the Public Issue will be returned in full without interest if the said permission for Listing is not granted.**

Pursuant to the MSEB's shareholding spread requirement that at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each. The Company is expected to achieve this at the point of Listing. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its Listing on the Second Board of the MSEB. In the event thereof, monies paid in respect of all applications will be returned in full without interest.

In the case of an application by way of Application Form, an applicant should state his/her CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by GA Blue and its Advisers. Neither the delivery of this Prospectus nor any Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of GA Blue or the Group since the date hereof.

The distribution of this Prospectus and the sale of the Public Issue Shares are subject to Malaysian laws and the Company and its Advisers take no responsibility for the distribution of this Prospectus and the sale of the Public Issue Shares outside Malaysia. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such offer or invitation. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

**Investors should rely on their own evaluation to assess the merits and risks of the investment. In considering the investment, investors who are in any doubt as to the action to be taken should consult their stockbroker, bank manager, solicitor, accountant and other professional adviser immediately.**

**2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)****2.1 Opening and Closing of Application**

The Application for the Public Issue will open at 10.00 a.m. on 31 January 2004 and will remain open until 5.00 p.m. on 10 February 2004 or for such further period or periods as the Directors of GA Blue and/or the Managing Underwriter may, in their discretion, mutually decide.

**2.2 Indicative Timetable**

The indicative timing of events leading up to the listing of and quotation for GA Blue's entire enlarged issued and paid-up share capital on the Second Board of the MSEC is as follows:-

<b>Events</b>	<b>Indicative Date Year 2004</b>
Opening date of the Public Issue	31 January
Closing date of the Public Issue	10 February
Tentative balloting date	12 February
Tentative allotment date	17 February
Tentative Listing date	20 February

**2.3 Purposes of the Public Issue**

The purposes of the Public Issue are as follows:-

- (a) to provide an opportunity for the eligible Directors, employees and persons who have contributed to the success of the GA Blue Group and the Malaysian investing public and institutions to participate in the equity and in the continuing growth of the Group by way of equity participation;
- (b) to obtain listing of and quotation for the entire issued and paid-up share capital of GA Blue on the Second Board of the MSEC;
- (c) to enable the GA Blue Group to gain access to the capital market to tap external sources of debt and equity funds for future growth plans;
- (d) to enable GA Blue to enhance Bumiputera equity participation in GA Blue so as to comply with the aspirations of the National Development Policy; and
- (e) to enhance the Group's corporate profile and assist the Group in expanding its customer base.

**2.4 Number and Class of Securities to be Issued**

	RM
<b>Authorised:-</b> 200,000,000 shares	100,000,000
<b>Issued and fully paid-up:-</b> 82,000,000 shares	41,000,000
<b>To be issued pursuant to the Public Issue:-</b> Public Issue of 18,000,000 new shares	9,000,000
<b>Enlarged Issued and Paid-up Share Capital</b>	50,000,000
<b>Public Issue price per share</b>	<b>RM0.75</b>

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## 2.0 DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

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The Public Issue price of RM0.75 per share is payable in full upon application.

There is only one class of shares in the Company, namely, ordinary shares of RM0.50 each. The Public Issue Shares rank pari passu in all respects with the existing issued and fully paid-up ordinary shares of the Company, including voting rights and the rights to all dividends and distributions that may be declared subsequent to the date of issue and allotment of the Public Issue Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends, distributions and the whole of any surplus in the event of liquidation of the Company in accordance with its Articles of Association.

At any general meeting of the Company, every shareholder shall be entitled to vote in person or by proxy or by attorney or by other duly authorised representative. On a show of hands, every person who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and in the case of a poll every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

### 2.5 Particulars of the Public Issue

The Public Issue is subject to the terms and conditions of this Prospectus and upon acceptance, will be allotted in the following manner:-

(a) **Malaysian Public**

8,800,000 Public Issue Shares to be made available for application by the Malaysian citizens, companies, co-operatives, societies and institutions, and to the extent possible, 30% of the Public Issue Shares to be allocated for Bumiputera individuals, companies, societies and institutions.

(b) **Private Placement**

4,000,000 Public Issue Shares have been reserved for application by identified investors by way of private placement, of which at least 30% is to be placed, to the extent possible, to Bumiputera investors.

(c) **Eligible Directors, Employees and Persons who have contributed to the success of the GA Blue Group**

5,000,000 Public Issue Shares to be reserved for eligible Directors, employees and persons who have contributed to the success of the GA Blue Group ("pink form shares").

(d) **Approved Bumiputera Investors**

200,000 Public Issue Shares to be reserved for Bumiputera investors approved by MITI.

The 4,000,000 Public Issue Shares and 200,000 Public Issue Shares under Section 2.5 (b) and (d) are not underwritten. The entire 8,800,000 Public Issue Shares under Section 2.5(a) have been fully underwritten. Any Public Issue Shares under Section 2.5(c) above not subscribed will be made available for application by the Malaysian public and will be underwritten by the Managing Underwriter.

## 2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)

### 2.6 Details of the Pink Form Shares Allocation

The allocation of the pink form shares in respect of Section 2.5(c) above is based on the following criteria:-

- (i) the eligible Directors of the GA Blue Group will be allocated 530,000 pink form shares as follows:-

Director	Directorship	Total No. of Pink Form Shares
Yeoh Yeow Cheang	Executive Director of GA Blue	160,000
Lim Tiam Eng	Director and Operation Manager of Evatech	120,000
Len Lip Fong @ Land Lip Fong	Executive Director of LKH	90,000
Ooi Siew Kim	Independent Non-Executive Director of GA Blue	80,000
Loh Chye Teik	Independent Non-Executive Director of GA Blue	80,000
		530,000

- (ii) the position and number of years of service of the eligible employees who are confirmed employees of the GA Blue Group as at 31 December 2003. Based on this criteria, there are 133 employees who are eligible to subscribe for the pink form shares; and
- (iii) the length of relationship and volume of transactions of the customers/suppliers with the GA Blue Group. Based on this criteria, there are 121 customers/suppliers who are eligible to subscribe for the pink form shares.

### 2.7 Basis of Arriving at the Public Issue Price

The Public Issue price of RM0.75 per share was determined and agreed upon by the Company and MIMB as Adviser, Managing Underwriter and Placement Agent, based on various factors including:-

- (a) the historical performance of the GA Blue Group for the past 5 financial years ended 31 July 2003;
- (b) the forecast net PE Multiple of 13.81 times and 8.79 times based on the forecast net EPS of 5.43 sen and fully diluted net EPS of 8.53 times respectively;
- (c) the business and prospects of the GA Blue Group as outlined in Sections 4.6 and 4.9 of this Prospectus;
- (d) the proforma consolidated NTA of the GA Blue Group of RM0.59 per share as at 31 July 2003; and
- (e) prevailing market conditions.

Applicants of the Public Issue Shares should note that the market price of GA Blue shares upon Listing on the Second Board of the MSEB is subject to the vagaries of market forces and other uncertainties which may affect the market price of GA Blue shares being traded. Investors should also bear in mind the Risk Factors as set out in Section 3.0 of this Prospectus before deciding on whether or not to invest in the GA Blue shares.

**2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)****2.8 Utilisation of Proceeds**

The total gross proceeds of RM13,500,000 arising from the Public Issue shall accrue to the Company and will be fully utilised by July 2004 in the following manner:-

	<i>Notes</i>	<b>RM'000</b>
Repayment of bank borrowings	(a)	5,529
Working capital	(b)	6,671
Estimated Listing expenses	(c)	1,300
		13,500

*Notes: -*

- (a) *Based on an assumed interest rate of 8.00% per annum and assuming the proceeds are fully utilised in July 2004, the repayment of bank borrowings is expected to result in an estimated interest savings of RM0.44 million to the Group for the financial year ending 31 July 2005.*

*The GA Blue Group proposes to utilise RM5.529 million of the proceeds to repay part of its bank borrowings, which amounted to approximately RM 6.744 million as at 15 November 2003.*

*The bank borrowings to be repaid were mainly used to finance the Group's business operations and the construction of the Group's factory buildings.*

*Any variation in the actual repayment of bank borrowings from the estimated amount will be adjusted in the allocation for working capital.*

- (b) *The working capital will be used to fund the expected increase in sales.*

- (c) *The details of estimated Listing expenses are as follows :-*

<b>Estimated Listing Expenses</b>	<b>RM'000</b>
<i>Fees payable to the authorities (SC, MSEB and ROC)</i>	52
<i>Issuing house fee and disbursements</i>	90
<i>Advertisement and translation of Prospectus</i>	37
<i>Printing of application forms, envelopes and Prospectus</i>	171
<i>Professional fees (merchant bank, solicitors, independent market researcher, and reporting accountants, etc.)</i>	600
<i>Underwriting commission, managing underwriter's commission, placement fees and brokerage fees</i>	266
<i>Contingencies *</i>	84
<b>Total</b>	<b>1,300</b>

*Note :-*

- \* *Any unutilised amount will be utilised for working capital purposes*

There is no minimum subscription to be raised from the Public Issue as the Public Issue Shares, where applicable, are fully underwritten.

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**2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)**


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**2.9 Financial Impact from the Utilisation of Proceeds**

The cashflow for the utilisation of proceeds are as follows:-

<b>Financial Year Ending 31 July 2004</b>	<b>RM'000</b>
<b><u>Inflow</u></b>	
Gross proceeds from the Public Issue	13,500
<b><u>Outflow</u></b>	
Repayment of bank borrowings	(5,529)
Working capital	(6,671)
Estimated Listing expenses	(1,300)
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The impact on the consolidated balance sheets of the GA Blue Group is reflected in the proforma consolidated balance sheets in Sections 1.4 and 8.9 of this Prospectus.

**2.10 Brokerage, Underwriting Commission and Placement Fee**

Brokerage is payable by the Company in respect of the Public Issue Shares at the rate of 1% of the Public Issue price of RM0.75 per share in respect of successful applications bearing stamps of MIMB, member companies of the MSEB, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Managing Underwriter and Underwriters as mentioned earlier in this Prospectus have agreed to underwrite the entire 8,800,000 Public Issue Shares, which are available for the subscription by the Malaysian public. Any of the 5,000,000 Public Issue Shares not taken up by the eligible Directors, employees and persons who have contributed to the success of the GA Blue under Section 2.5(c) of this Prospectus will be made available for application by the Malaysian investing public and will be underwritten by the Managing Underwriter.

Underwriting commission is payable by the Company at the rate of 1.25% of the Public Issue price of RM0.75 per share in respect of the Public Issue Shares which are required to be underwritten. In addition, the Managing Underwriter will receive a managing underwriter's commission payable by the Company at the rate of 0.25% of the Public Issue price of RM0.75 per share in respect of the entire 8,800,000 Public Issue Shares which are available for subscription by the Malaysian Public.

Placement fees are payable by the Company to the Placement Agent at the rate of 0.75% in respect of the 4,000,000 Public Issue Shares of RM0.75 per share which are placed out to identified investors.

## 2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)

### 2.11 Salient Terms of the Underwriting Agreement

A conditional underwriting agreement was entered into between the Company, Managing Underwriter and Underwriters on 18 December 2003 for the underwriting of 8,800,000 Public Issue Shares to be issued at an underwriting commission of 1.25% and the managing underwriter's commission of 0.25% of the issue price of RM0.75 per share.

Some of the salient terms of the Underwriting Agreement are reproduced as follows:

#### **“6. Conditions**

##### **6.1 Details**

*The obligations of the Underwriters to underwrite the Underwritten Shares under this Agreement are conditional on the performance by the Company of its obligations under this Agreement and on:*

*6.1.1 The Managing Underwriter being provided with such reports or confirmations and being satisfied at the Closing Date that:*

*6.1.1.1 no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group taken as a whole from that subsequent to the date of this Agreement; or*

*6.1.1.2 there has not occurred any event or the discovery of any facts or circumstances which would render any representation, warranty or undertaking in clause 11 (Representations Warranties and Undertakings) materially untrue or inaccurate or result in a material breach of this Agreement by the Company;*

*For purpose of this clause 6.1.1, the opinion of materiality shall be that of the Managing Underwriter whose opinion shall be final and binding on the Company.*

*6.1.2 The Managing Underwriter receiving a certificate in the form or substantially in the form contained in Schedule 3 (Certificate) of this Agreement dated the Closing Date signed by the duly authorised Director of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in clause 11 (Representations, Warranties and Undertakings) of this Agreement;*

*6.1.3 The issue of the Prospectus not later than 3 months from the Agreement Date or such later date as the Managing Underwriter and the Company may from time to time agree;*

*6.1.4 The registration of the Prospectus with SC and its lodgement with the ROC by the Issue Date;*

*6.1.5 All the approvals of SC, FIC and MITI referred to in clause 2.2 (Approvals) remain in full force and effect and that all conditions precedent to the approvals (except for any which can only be complied with after the Public Issue has been completed) have been complied with;*

*6.1.6 The approval-in-principle of KLSE to the admission of the Company to the Official List and the listing of and quotation for its entire Ordinary Share capital being obtained on terms acceptable to the Managing Underwriter and remaining in full force and effect and that all conditions precedent (except for any which can only be complied with after the Public Issue has been completed) have been complied with;*

*6.1.7 The Managing Underwriter being satisfied that the Company will, following completion of the Public Issue be admitted to the Official List and its Ordinary Share capital listed and quoted on the Second Board without undue delay;*

**2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)**

- 6.1.8 *The Managing Underwriter being satisfied with the arrangements of the Company to pay the expenses referred to in clause 10 (Commission);*
- 6.1.9 *The Managing Underwriter receiving a copy certified by a director or secretary of the Company to be a true and accurate copy of and in full force and effect resolution of the Directors:*
- 6.1.9.1 *approving the Prospectus, this Agreement and the transactions contemplated by it;*
- 6.1.9.2 *authorising the issuance of the Prospectus; and*
- 6.1.9.3 *authorising a person to sign and deliver this Agreement on behalf of the Company;*
- 6.1.10 *This Agreement being signed by all parties and stamped;*
- 6.1.11 *The Public Issue not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the Public Issue and/or listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the KLSE have been obtained and are in force on the Closing Date or the Managing Underwriter being reasonably satisfied that the same will be in force on the Closing Date;*
- 6.1.12 *The Managing Underwriter being satisfied that the Company has complied with and that the Public Issue is in compliance with the policies, guidelines (whether or not having the force of law) and requirements of the SC and all revisions, amendments and/or supplements to it; and*
- 6.1.13 *The Public Issue being approved by the shareholders of the Company in an Extraordinary General Meeting.*

**6.2 Waiver**

*The Managing Underwriter may, with the consent of the Majority Underwriters, waive all or any of the Conditions except for any required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with this Agreement.*

**6.3 Non satisfaction**

*If:*

**6.3.1 Pre Issue Date**

*Any of the Conditions in clauses 6.1.3 (Details), 6.1.9 (Details) or 6.1.10 (Details) (to the extent not waived) are not satisfied by the Issue Date;*

**6.3.2 Closing Date**

*Any of the Conditions other than those referred to in clause 6.3.1 (Pre Issue Date) to the extent not waived are not satisfied by the Closing Date, the Managing Underwriter after consultation with the Underwriters and the Company shall be entitled to terminate this Agreement and in such event the provisions of clause 14 (Termination) shall apply.*



**2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)****"14. Termination**

14.1 Notwithstanding anything contained in this Agreement, the Underwriters may after consultation with each other and the Company in such manner as the Underwriters shall reasonably determine by notice in writing to the Company given at any time before the Closing Date, terminate and withdraw their Underwriting Commitment if:

14.1.1 in the reasonable opinion of the Majority Underwriters there shall have occurred happened or come into effect any of the following circumstances:

14.1.1.1 any material breach by the Company of any of the representations, warranties or undertakings contained in clause 11 (Representations, Warranties and Undertakings) (which, if capable of remedy, is not remedied within 3 Market Days after notice of such breach shall have been given to the Company by the Underwriters or by the Closing Date, whichever is the earlier);

14.1.1.2 any change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the abovementioned events or occurrences;

14.1.1.3 any change in any law, regulation, directive, policy or ruling in any jurisdiction;

14.1.1.4 any events or series of events beyond the reasonable control of the Underwriters by reason of force majeure which has or is likely to have the effect of making any material part of this Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting of the Underwritten Shares;

14.1.1.5 the average KLSE composite index for 5 consecutive Market Days falls below 530 points on or before the Closing Date; or

14.1.1.6 there is failure on the part of the Company to perform any of its obligations contained in this Agreement; or

14.1.1.7 there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to this Agreement

which, in the reasonable opinion of the Majority Underwriters, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group taken as a whole or the success of the Public Issue and the distribution or sale of the Public Issue Shares (whether in the primary market or in respect of dealings in the secondary market) or the listing of the Company on the Second Board or market conditions generally or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

14.2 Notwithstanding anything contained in this Agreement, the Underwriter may by notice in writing to the Company given at any time after the Closing Date but prior to the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company, terminate and withdraw their Underwriting Commitment if SC issues any order under Section 54 of the SCA ('the Order').

14.3 Upon such notice being given under Clauses 14.1 and 14.2 (Termination), the Underwriter shall be released and discharged of their obligations without prejudice to their rights under this Agreement, and where the Underwriter has terminated or withdrawn its Underwriting Commitments:

**2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)**

14.3.1 pursuant to Clause 14.1 (Termination), this Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of this Agreement; or

14.3.2 pursuant to Clause 14.2(Termination), this Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of this Agreement, except that the Company shall as soon as practicable and subject to (where necessary) the approval of the SC, the KLSE and any other relevant authorities and the approval of its shareholders at general meeting and creditors refund all such moneys received from the Underwriter pursuant to Clause 9 (Underwriting Obligations), if any; and

except that the Company shall remain liable in respect of any of their obligations and liabilities under Clause 10 (Fees and Commission), Clause 11 (Representations, Warranties and Undertakings) and under Clause 12 (Costs and Expenses) for the payment of the costs and expenses already incurred by the Underwriter up to the date on which such notice was given and under Clause 8.3.2 (Prospectus and Listing) for the payment of any taxes, duties or levies.

14.4 In the event that this Agreement is terminated pursuant to clause 14.1.1.4 above, the Underwriters and the Company may confer with a view to amending its terms or the terms of this Agreement and enter into a new underwriting agreement accordingly, but neither the underwriters nor the Company shall be under any obligation to make a fresh agreement."

**22. Withdrawal or Non-Procurement of Approval for Listing by KLSE**

The Underwriters shall have the right to terminate this Agreement by notice in writing served by the Managing Underwriter on behalf of the Underwriters on the Company in the event that the approval-in-principle of the KLSE for the admission of the Company to the Official List and the listing of and quotation for the entire issued and paid-up shares capital of the Company on the Second Board is withdrawn or not procured within 6 weeks from the date of issue of the Prospectus (or such longer period as may be specified by the SC) or procured but subject to conditions not acceptable to the Underwriters and upon such termination the liabilities and obligations of the Company and the Underwriters shall become null and void and none of the parties shall have a claim against each other save that the Underwriters shall, on making a joint decision, be entitled to the return of the payment consideration for those Underwritten Shares within 3 Market Days from the date of notice given by the Managing Underwriter to the Company and the Company shall, on receipt by the Underwriters of the payment consideration, be entitled to the return of those Underwritten Shares underwritten by the Underwriters."

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**3.0 RISK FACTORS**

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Before making an investment decision, potential investors should carefully consider the following risk factors (which are not exhaustive) in addition to all the other relevant information contained elsewhere in this Prospectus, before applying for the Public Issue Shares.

**3.1 No Prior Market for GA Blue Shares**

Prior to this Public Issue, there has been no public market for GA Blue shares. The issue price of RM0.75 per share for the Issue Shares has been determined after taking into consideration a number of factors, including but not limited to GA Blue's financial history and operating conditions, its prospects and the prospects for the industry in which GA Blue operates. There can be no assurance that the issue price will correspond to the price at which GA Blue shares will trade on the Second Board of the MASEB upon or subsequent to its Listing or that an active market for GA Blue shares will develop or, if developed, that such market will be sustained.

**3.2 Control by Substantial Shareholders**

Upon the completion of the Public Issue, certain shareholders of GA Blue, namely Kan Ah Chun, Yeap Beow Chong and Saffie Bin Bakar, will effectively and collectively hold 67.86% direct equity interest in GA Blue. As such, they will be able to control the outcome on matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities or the proposal requires a special resolution to be passed which requires 75% majority vote. Details of the shareholdings of Directors and substantial shareholders of GA Blue are set out under Section 5.1.3 of this Prospectus.

**3.3 Business Risks**

The Group is not isolated from general business risks as well as risks inherent in the manufacturing industry and those specific to the apparel manufacturing industry. For example, the Group may be affected by a general downturn in the global, regional and national economy, specifically, the Malaysian economy, entry of new players, constraints in skilled labour supply, changes in the law and tax legislation affecting the industry, increased production costs, changes in business and credit conditions, fluctuations in foreign exchange rates and introduction of new technologies.

Although the Group seeks to limit these risks through, inter-alia, maintaining good business relationships with its customers and suppliers, increasing automation to reduce dependency on labour, efficient cost control, increasing product range, no assurance can be given that a change in any of these factors will not have a material adverse effect on the Group's business.

**3.4 Competition**

The Group faces competition from other manufacturers, domestically, regionally and internationally especially the influx of low price apparels from lower cost production countries like China, India, Vietnam, Mexico and Turkey. These countries with abundant supply of labour at comparatively lower cost structures place continuous pressure on Malaysian apparel manufacturers.

The Directors of the Company believe that the key difference between the GA Blue Group and other apparel manufacturers in Malaysia is the fact that the Group is primarily a manufacturer focusing on marketing and building its brand equity as its main business strategy. This is in contrast to most of the operators in the apparel industry in Malaysia, which are mainly contract manufacturers or contract jobbers. As a brand owner, the GA Blue Group is not subjected to the full impact of competition from lower cost producing countries like China and India. In fact, these lower cost producing countries could work to the GA Blue Group's advantage to maintain competitiveness as its end-products could be outsourced to overseas contractors if the need arises. Although the outlook of the GA Blue Group within the apparel industry is more favourable than those that are focused only on contract manufacturing, there is no assurance that the Group will be able to maintain and/or expand its market share in its local and overseas markets.

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**3.0 RISK FACTORS (Cont'd)**

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**3.5 Shortage of Skilled Labour**

Skilled labour in the areas such as designing, dyeing and finishing treatments, and marketing are important for apparel brand owners and marketing concerns. Shortages in these skills would have an impact on the GA Blue Group's business. Although according to the Directors and management of the GA Blue Group, the Group has not experienced any shortage of such types of skilled labour thus far, there can be no assurance that such a problem will not arise in the future.

**3.6 Foreign Exchange Risks**

For the financial year ended 31 July 2003, approximately 32% of the Group's total purchases such as raw materials and sewing services sourced from Taiwan, Hong Kong and Indonesia were transacted in foreign currency i.e. USD. At present, the risk of foreign exchange fluctuation has been limited since the imposition of the fixed exchange rate of RM3.80 to USD1.00 on 1 September 1998. Whilst this measure may negate the risk of adverse currency fluctuations of the RM to the USD, it is uncertain as to how long the peg will be maintained or changed. Hence, no assurance can be given that the removal or change of the said fixed exchange rate will not have a material adverse effect on the performance of the GA Blue Group.

**3.7 Dependency on Key Personnel**

The Group believes that its continual success will depend on the abilities and continuous efforts of its existing senior management team. The loss of any key member of the Group's senior management may, to a certain extent, affect the Group's continued ability to maintain and improve its performance. However, ongoing efforts are presently made by the Group to groom the younger members of the management team to assume more responsibilities, hence ensuring a smooth transition should changes occur. The Group progressively strives to attract and retain skilled personnel by creating promotion opportunities within the Group. However, there can be no assurance that such measures will always be successful in retaining key personnel.

**3.8 Political, Economic and Regulatory Considerations**

Adverse developments in political, economic and regulatory conditions in Malaysia or other countries where GA Blue markets its products could materially and adversely affect the financial prospects of the Group. Other political, economic and regulatory uncertainties include risks of war, expropriation, nationalisation, re-negotiation or nullification of existing contracts, changes in interest rates and methods of taxation.

Whilst the GA Blue Group will continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect the Group.

**3.9 Dependence on Particular Geographical Locations**

The Group sells most of its products locally. Revenue from its local customers accounted for 98.5% of the Group's revenue for the financial year ended 31 July 2003, whilst the balance 1.50% comprised revenue from its export market. As such, the Group's sales are very dependent on the local market.

Whilst the Group aims to expand to other markets such as Thailand, the United States, Australia, China and Indonesia to mitigate the risk, no assurance can be given that the Group will be successful in these overseas markets.

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**3.0 RISK FACTORS (Cont'd)**

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**3.10 Licence Agreement**

The Group's revenue comes substantially from the sales of in-house brand names products such as "GA Blue", "R Twenty Two", "RJNS", "pm" and "22:pm". However, the Group also uses trade marks such as "Lois" and "Mustang" owned by Lois Trade Mark Co. Ltd and Mustang Bekleidungswerke GmbH + Co respectively.

While GA Blue will continue to take effective measures such as registering and building its own brand names, in the event that the Group is unable to use the "Lois" and "Mustang" trade marks in the future upon termination of the relevant licence agreements, there can be no assurance that the operations and financial position of the Group will not be affected.

**3.11 Implication of the ASEAN Free Trade Area ("AFTA")**

Under the AFTA agreement initiated by the ASEAN countries, namely Malaysia, Thailand, Singapore, Indonesia, the Philippines and Brunei, a comprehensive programme of regional tariff reduction has been laid out. The AFTA agreement aims to promote economic co-operation and increase competitiveness by reducing inter-regional barriers in the ASEAN region. The Common Effective Preferential Tariff ("CEPT") has been proposed for goods traded within the ASEAN region.

Although the implementation of AFTA will indirectly increase competition for the GA Blue Group, the Directors of the Company believe that the gradual reduction of tariffs under AFTA and trade liberalisation under the World Trade Organisation, will generate opportunities for apparel exporters to create their own market niches to compete successfully within the ASEAN region. Trade liberalisation would particularly benefit brand owners, as they can manufacture or source their products local and export without trade restrictions to Asean nations. The Directors and management of GA Blue are confident that it can remain competitive as at present, the Group has successfully established strong brand position for the "GA Blue", "Mustang" and "Lois" labels in their respective market segment. The Group also has its extensive distribution network of approximately 887 customers comprising 874 local retailers/distributors, 11 departmental stores, and 2 retailers in Brunei and Singapore. Although the more liberalised trading environment would offer new opportunities for the Group to further expand its existing export markets as well as to further develop new export markets, there can be no assurance that the Group will be able to expand its export markets.

**3.12 Infringement of Trade Mark and Counterfeit Products**

It is a requirement for brand owners and licensed manufacturers to register their trade marks in the various jurisdictions where they operate in. Despite registering their trade marks, trade mark infringement, counterfeiting and imitation of popular branded apparel is prevalent in the apparel industry. Blue jeans are considered the single-most counterfeited items within the apparel industry. Counterfeit activities have a negative impact on brand owners, licensed manufacturers, the apparel industry, and economic and social developments. These activities pose a major threat to the profitability and viability of their businesses. In addition, in some situations where counterfeit goods are passed off as genuine items, the resultant poor quality of such merchandise would reflect negatively on the image of the brand.

According to the Directors and management of the GA Blue Group, the Group seeks to limit these risks by taking the necessary steps and actions. These include utilising available anti-counterfeiting technology such as special labels like holograms, working closely with its distributors to understand prevailing issues and finding effective ways to solve them, educating consumers on the consequences of dilution of brands, engaging the help of the Ministry of Domestic Trade and Consumer Affairs and taking legal actions against guilty parties. However, no assurance can be given that any change to these factors will not have a material adverse effect on the Group's business.

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**3.0 RISK FACTORS (Cont'd)**

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**3.13 Insurance Coverage**

The Directors believe that the Group's production facilities, buildings, plant and machinery as well as stocks located within the factories are adequately insured against unforeseen events such as fire, loss, damage, theft and other emergencies. The terms and conditions of these insurance policies are regularly reviewed by the management of the GA Blue Group to ensure that the coverage is adequate. Although the Group has taken the necessary measures to limit this risk, there can be no assurance that the insurance coverage would be adequate to compensate for the replacement cost of the assets or any consequential loss arising therefrom.

**3.14 Risk of Business Disruptions**

There are risks such as the Severe Acute Respiratory Syndrome ("SARS") or other medical epidemics which swept through a number of countries earlier this year, taking with it numerous lives which had affected the revenue and profitability of certain subsidiary companies of the Group for the financial year ended 31 July 2003. With the very real threat of SARS, consumers tend to go out less and hence, shop less. There is no assurance that any form of epidemic will not have any impact on the Group profit in the future.

Other risks which are inherent in the Group's business operations include risks of fire, electric power crisis and other risks which could affect the operations and financial performance of the GA Blue Group. In attempting to address these inherent risks, the Group has in place the following risk management practices/plans:-

- (i) The factory premises are guarded 24 hours.
- (ii) Fire fighting system, i.e. fire hose reels and fire extinguishers are installed in the Group's factory premises.
- (iii) It is important that energy is available for the manufacturing operations such as the operation of the plant and machinery of the GA Blue Group. The Group did not experience any disruption in business arising from energy disruption which have a significant effect on its operations for the past twelve (12) months prior to the date of this Prospectus. To mitigate and minimise the impact of energy disruption, the Group adopts steps such as keeping an adequate supply of finished products for contingencies purposes and outsourcing part of its manufacturing process to reliable contract manufacturers.

However, no assurance can be given that even with the existing risk management practices/plans in place, the business operations of the Group will not be affected in the event one or a combination of operational risk factors do crystallise.

**3.15 Stock Management**

Due to the nature of the apparel industry in which the GA Blue Group operates, the Group maintains a sufficient level of inventory holdings in order to be able to give prompt delivery to its customers on the designs and sizes required.

According to the Directors of GA Blue, the Group runs a minimal risk of stock obsolescence or slow-moving stocks as most of its stocks comprise jeans-based products which do not go out of fashion easily. While the Directors and management of the GA Blue Group will ensure that reasonable steps are taken to minimise the risk of obsolete/slow-moving stocks, there can be no assurance that the operations and financial position of the Group will not be affected.

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**3.0 RISK FACTORS (Cont'd)**

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**3.16 Recoverability of Debts**

The risk of potential bad debts is considered to affect most businesses in general. For the GA Blue Group, the recoverability of debts is subject to economic conditions and factors affecting the apparel industry. Any slow or non-collection from trade debtors may increase the burden on the Group's cashflow management. There can be no assurance that the performance of the Group would remain favourable in the event of provision for doubtful debts or bad debts written off.

However, the Directors of the GA Blue Group are confident that the outstanding debts of the Group are recoverable and adequate provision for doubtful debts or bad debts written off have been made.

**3.17 Profit Forecast**

This Prospectus contains the consolidated profit forecast for the financial year ending 31 July 2004 of the GA Blue Group which are based on assumptions that are subject to uncertainties and contingencies. The Directors have considered the assumptions used in the preparation of the profit forecast to be reasonable. Because of the inherent uncertainties of profit forecast and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit forecast contained herein will be realised and actual results may be materially different from those shown or expected. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the profit forecast contained herein.

**3.18 Forward Looking Statements**

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and others are forward looking in nature which are subject to uncertainties and contingencies.

All forward looking statements are based on estimate and assumptions made by the Directors and although believed to be reasonable are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievement expressed or implied in such forward looking statements. Such factors include, inter alia, general economic and business conditions, competition, the impact of new laws and regulations affecting GA Blue and the industry, changes in interest rates and changes in foreign exchange rates.

**3.19 Delay In or Failure of the Listing**

There is a risk that the Listing exercise may be delayed or aborted should any of the following events occur:-

- (i) The Managing Underwriter and/or Underwriters exercise their rights pursuant to the underwriting agreement, discharging themselves from their obligations thereunder;
- (ii) The placees fail to subscribe for the portion of the Public Issue Shares allocated to them;
- (iii) The Bumiputera investors approved by the MITI fail to subscribe for the portion of the Public Issue Shares allocated to them; and/or
- (iv) The Company is unable to meet the public spread requirement, that is at least 25% of the total number of shares for which Listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each.

Although the Directors of GA Blue will continue to ensure compliance by the GA Blue Group of the various Listing requirements, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of the Listing.